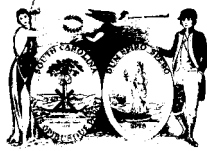


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

February 20, 2003

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

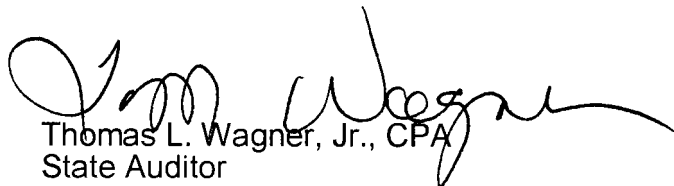
Re: AC# 3-SDV-J0 – GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**GCI SPRINGDALE VILLAGE, INC.
D/B/A SPRINGDALE HEALTHCARE CENTER
CAMDEN, SOUTH CAROLINA**

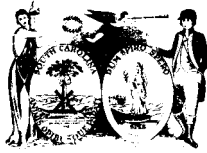
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-SDV-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 25, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

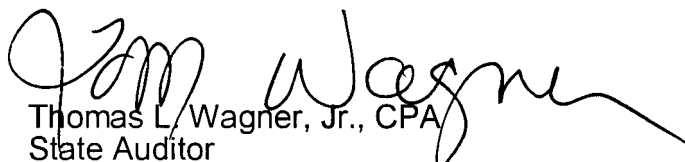
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Springdale Village, Inc., d/b/a Springdale Healthcare Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 25, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

SPRINGDALE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-SDV-J0

	10/01/01- <u>09/30/02</u>
Interim Reimbursement Rate (1)	\$90.60
Adjusted Reimbursement Rate	<u>88.00</u>
Decrease in Reimbursement Rate	\$ <u><u>2.60</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

SPRINGDALE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-SDV-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.30	\$53.97	
Dietary		7.82	10.74	
Laundry/Housekeeping/Maintenance		<u>5.53</u>	<u>9.23</u>	
Subtotal	\$ <u>5.18</u>	55.65	73.94	\$55.65
Administration & Medical Records	\$ <u>-</u>	<u>12.40</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		68.05	<u>\$85.41</u>	67.12
<u>Costs Not Subject to Standards:</u>				
Utilities		2.30		2.30
Special Services		.55		.55
Medical Supplies & Oxygen		4.35		4.35
Taxes and Insurance		1.41		1.41
Legal Fees		<u>.05</u>		<u>.05</u>
TOTAL		<u>\$76.71</u>		75.78
Inflation Factor (3.80%)				2.88
Cost of Capital				7.09
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				5.18
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.43)
Nurse Aide Staffing Add-On 10/01/00				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$88.00</u>

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-SDV-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,229,702	\$ 57,858 (3) 9,999 (7)	\$ 57,858 (3) 13,730 (4) 12,200 (5) 14,205 (8)	\$2,199,566
Dietary	415,665	10,861 (7)	8,988 (6) 10,862 (8)	406,676
Laundry	7,605	596 (7)	595 (8)	7,606
Housekeeping	216,241	14,747 (7)	40,390 (8)	190,598
Maintenance	87,499	945 (4) 19,005 (7)	18,278 (8)	89,171
Administration & Medical Records	664,584	24,318 (7) 3,685 (7)	28,727 (4) 15,265 (8) 3,685 (8)	644,910
Utilities	118,809	22 (4) 25,780 (7)	25,158 (8)	119,453
Special Services	28,608	-	1 (6)	28,607
Medical Supplies & Oxygen	248,926	-	22,584 (5) 55 (6)	226,287
Taxes and Insurance	143,251	30,447 (7)	85,363 (2) 90 (4) 14,695 (8)	73,550

SPRINGDALE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-SDV-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Legal Fees	2,432	103 (7)	100 (8)	2,435
Cost of Capital	343,571	26,181 (7) 45,443 (9)	13,635 (1) 32,217 (4) 840 (8)	368,503
Subtotal	4,506,893	269,990	419,521	4,357,362
Ancillary	185,814	-	-	185,814
Non-Allowable	549,249	13,635 (1) 85,363 (2) 73,797 (4) 9,044 (6) 144,073 (8)	165,722 (7) 45,443 (9)	663,996
Total Operating Expenses	<u>\$5,241,956</u>	<u>\$595,902</u>	<u>\$630,686</u>	<u>\$5,207,172</u>
Total Patient Days	<u>52,001</u>	<u>-</u>	<u>-</u>	<u>52,001</u>
Total Beds	<u>148</u>			

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-SDV-J0

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 88,918	
	Other Equity	32,612	
	Nonallowable	13,635	
	Fixed Assets		\$121,530
	Cost of Capital		13,635
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	85,363	
	Taxes and Insurance		85,363
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Restorative	57,858	
	Nursing		57,858
	To reclassify salary and related fringe benefit expense to the proper cost center		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Maintenance	945	
	Utilities	22	
	Nonallowable	73,797	
	Nursing		13,730
	Administration		28,727
	Taxes and Insurance		90
	Cost of Capital		32,217
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-SDV-J0

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Intercompany	10,650	
	Miscellaneous Income	24,134	
	Nursing		12,200
	Medical Supplies		22,584
	To properly offset income against related expense HIM-15-1, Sections 2102.3, 2105.3, and 2328 State Plan, Attachment 4.19D		
6	Nonallowable	9,044	
	Dietary		8,988
	Medical Supplies		55
	Special Services		1
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
7	Restorative	9,999	
	Dietary	10,861	
	Laundry	596	
	Housekeeping	14,747	
	Maintenance	19,005	
	Administration	24,318	
	Medical Records	3,685	
	Legal	103	
	Utilities	25,780	
	Taxes and Insurance	30,447	
	Cost of Capital	26,181	
	Nonallowable		165,722
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

SPRINGDALE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-SDV-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	144,073	
	Restorative		14,205
	Dietary		10,862
	Laundry		595
	Housekeeping		40,390
	Maintenance		18,278
	Administration		15,265
	Medical Records		3,685
	Legal		100
	Utilities		25,158
	Taxes and Insurance		14,695
	Cost of Capital		840
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Cost of Capital	45,443	
	Nonallowable		45,443
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$752,216</u>	<u>\$752,216</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

SPRINGDALE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-SDV-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>148</u>
Deemed Asset Value	5,512,408
Improvements Since 1981	200,886
Accumulated Depreciation at 9/30/00	<u>(1,062,858)</u>
Deemed Depreciated Value	4,650,436
Market Rate of Return	<u>.058</u>
Total Annual Return	269,725
Return Applicable to Non-Reimbursable Cost Centers	(2,055)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	267,670
Depreciation Expense	128,529
Amortization Expense	1,675
Capital Related Income Offsets	(28,531)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(840)</u>
Allowable Cost of Capital Expense	368,503
Total Patient Days (Minimum 96% Occupancy)	<u>52,001</u>
Cost of Capital Per Diem	\$ <u><u>7.09</u></u>

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